

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY NAIROBI

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FOR DEPUTY ASSIST SECRETARY WEINTRAUB

THE FOLLOWING TEL FROM LONDON DATED SEP 21, 73 TO  
SECSTATE WASHDC ACCRA INFO BERN BONN BRUSSELS  
COPENHAGEN OSLO PARIS ROME THE HAGUE TOKYO IS  
REPTD.

QTE LIMITED OFFICIAL USE LONDON 10815

E.O. 11652: N/A

TAGS: EAID, EFIN, PFOR, IBRD, GH

SUBJECT: GHANA DEBT: CREDITORS LONDON MEETING

SEPTEMBER 18-19

BEGIN SUMMARY. AS RESULT ELEVENTH HOUR RECEIPT  
GHANA FORMULA FOR DEBT CONTRACT REVIEW, CREDITORS  
MEETING ABLE TO WORK OUT SUBSTANCE NEGOTIATING  
POSITION AND TACTICS AND TO OFFER TO MEET WITH  
GHANAIANS COMMENCING NOVEMBER 5. IN TWO-DAY SESSION  
CREDITORS DECIDED MAINTAIN NOVEMBER 1972 TERMS AS  
OPENING BID IN PROPOSED NEGOTIATIONS. MAJORITY FAVORS  
FINAL OFFER OF "PEARSON TERMS", NAMELY 7 YEARS  
GRACE, 18 YEARS REPAYMENT, 2 PERCENT CONSOLIDATED  
INTEREST RATE. BRITISH TREASURY AND FRENCH IN MINORITY  
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OPPOSED TO ACCRA VENUE FOR TALKS, WHICH VIEWED AS  
NECESSARY BY OTHERS TO GET NEGOTIATIONS MOVING.  
CREDITORS NOTED GOG FORMULA FOR DEBT CONTRACT REVIEW AND  
RECORDED OWN COUNTER VIEWS, BUT WERE UNWILLING ENDORSE

UK SUGGESTION OF GHANA PAYMENTS ON REPUDIATED DEBTS TO ESCROW ACCOUNT AS PRECONDITION TO NEGOTIATIONS. DE MINIMIS LEVEL OF \$2 MILLION AND EXCLUSION POST-NKRUMAH DEBT MAINTAINED AS OPENING POSITIONS. CHAUFOURNIER OF IBRD TO EXPRESS CREDITORS' HOPES AND CONCERNS TO CHAIRMAN ACHEAMPONG IN ACCRA LATER THIS MONTH. DEBT NEGOTIATIONS NOW DEPEND ON FAVORABLE GOG RESPONSE TO CREDITOR COMMUNIQUE (SEPTEL) TO BE DELIVERED SHORTLY. US DELEGATION BELIEVES SUBSTANTIAL PROGRESS ACHIEVED BY THE GHANAIAAN PROPOSAL AND CREDITOR DISCUSSIONS. END SUMMARY.

1. AMBIANCE: CREDITOR MEETINGS CHARACTERIZED BY INTENSIVE DISCUSSION OF ALL ISSUES LIKELY ARISE IN PROSPECTIVE NEGOTIATIONS WITH GOG, AND EQUALLY THOROUGH EXAMINATION OF PROSPECTIVE NEGOTIATING STRATEGY. DIVISION WITHIN BRITISH CAMP EVIDENT IMMEDIATELY, WITH CHAIRMAN LEQUESNE EXPRESSING FCO VIEW THAT ACCOMMODATION TO SOME GHANAIAAN DESIRES EITHER PREREQUISITE FOR NEGOTIATIONS OR NECESSARY TO ACHIEVE SETTLEMENT, WHILE TREASURY REPRESENTATIVE HEADING UK DELEGATION PREFERRED GIVE NO GROUND BEYOND NOVEMBER CREDITORS' OFFER, SUGGESTING NOVEMBER TERMS TOO LIBERAL IN PRESENT GHANAIAAN SHORT-TERM ECONOMIC CIRCUMSTANCES. TREASURY ATTITUDE, WHICH RECEIVED SOME SUPPORT FROM ECGD SPOKESMAN, AS WELL AS FRENCH DELEGATE, NOT ENDORSED BY MAJORITY OF CREDITORS. GERMANS, DUTCH, BELGIANS, NORWEGIANS, IBRD, US, AND ITALIANS (WHO WERE MUCH MORE FORTHCOMING THAN IN PREVIOUS DEBT MEETINGS), AGREED WITH LEQUESNE. IBRD AND IMF, WHICH MADE USEFUL CONTRIBUTIONS TO MEETING, WERE EXCLUDED DURING DISCUSSION OF TERMS, WHICH CREDITORS AGREED TO CONSIDER CONFIDENTIAL.

2. ALL CREDITORS AGREED IT IS IN THEIR INTEREST TO PROCEED AS QUICKLY AS POSSIBLE TO NEGOTIATIONS WITH A MINIMUM OF FURTHER PRECONDITIONS. TO TRY TO AVOID LIMITED OFFICIAL USE  
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FURTHER TIME CONSUMING WRITTEN EXCHANGES, IBRD ASKED TO REQUEST CLARIFICATION FROM GOG ON SEVERAL POINTS WORRYING CREDITORS AND TO INFORM GHANAIAANS OF CREDITORS CONCERNS REGARDING ADDITIONAL ISSUES DESCRIBED BELOW. COMMUNIQUE TO BE SENT GOG ACCORDINGLY LIMITED TO POINTS CREDITORS CONSIDERED ESSENTIAL HAVE ON RECORD.

3. OPENING TERMS: AFTER CRITICIZING IBRD'S PROJECTIONS OF GHANAIAAN COCOA EXPORT RECEIPTS AS TOO LOW FOR LONG TERMS, AND EMPHASIZING RECENT GROWTH IN FOREIGN EXCHANGE RESERVES, BRITISH TREASURY REPRESENTATIVE SAID RECENT AMELIORATION OF GHANAIAAN ECONOMIC SITUATION AND

BETTER ECONOMIC PROSPECTS PROVIDE NO JUSTIFICATION FOR IMPROVING RESCHEDULING TERMS OFFERED IN NOVEMBER 1972. DUTCH WERE ONLY CREDITORS TO ADVOCATE BETTERING NOVEMBER TERMS AS A FIRST CREDITOR OFFER IN NEGOTIATIONS. WITH SUPPORT FROM DUTCH, GERMAN AND

ITALIANS, US SUGGESTED LEQUESNE'S OPENING STATEMENT SHOULD INDICATE GENERAL CREDITOR FLEXIBILITY ON TERMS. IBRD VICE PRESIDENT CHAUFURNIER ASKED TO TELL GOG DURING SCHEDULED EARLY OCTOBER VISIT TO ACCRA THAT CREDITORS WILL BE PREPARED TO EXAMINE ANY JUSTIFICATION OF MORE GENEROUS TERMS PRESENTED BY GOG IN NEGOTIATIONS.

4. FALLBACK TERMS: DUTCH, ITALIANS, US, NORWEGIANS AND BELGIANS STATED WILLINGNESS MOVE TO 7 YEAR GRACE PERIOD, SUBSEQUENT 18 YEAR REPAYMENT PERIOD, AND 2 PERCENT INTEREST RATE AS FINAL OFFER (7-18-2 PERCENT FORMULA), GERMAN HAD LITTLE DIFFICULTY WITH 7 AND TWO PERCENT BUT SAID BONN WOULD NEED MORE JUSTIFICATION FOR LONGER REPAYMENT PERIOD. JAPANESE UNDER INSTRUCTIONS STICK TO NOVEMBER TERMS. BRITISH AND FRENCH SAID THEY WOULD CONSIDER 7-18-2 PERCENT FORMULA AS FALLBACK POSITION.

5. VENUE: FRANCE OBJECTED STRONGLY TO ACCRA, PRINCIPALLY ON GROUNDS OF ADVERSE PRECEDENT OF MEETING IN DEBTOR CAPITAL. UK TOOK SOME POSITION, SUGGESTING THAT URGING THE GHANAIANS TO COME TO LONDON MIGHT LEAD LIMITED OFFICIAL USE  
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THEM TO ACCEPT PARIS AS COMPROMISE. LEQUESNE, WITH SUPPORT FROM US, STRESSED THAT GHANAIAN DELEGATION WILL NEED TO CONSULT FREQUENTLY WITH ACHEAMPONG DURING NEGOTIATIONS, MAKING ACCRA ONLY PRACTICAL LOCALE. AFTER REMINDING CREDITORS IT WOULD BE REPETITION OF EARLIER FRUITLESS EXERCISE, AND GIVING FULL SUPPORT TO LEQUESNE'S PRACTICALITY THEME, CHAUFURNIER AGREED, IF BRITISH TREASURY REPRESENTATIVE AND FRENCH DELEGATE UNABLE PERSUADE THEIR SUPERIORS TO ACCEPT ACCRA AS VENUE, TO INFORM GOG SOME CREDITORS STILL PREFER TO MEET OUTSIDE ACCRA. UK AND FRENCH REPRESENTATIVES DID STATE THEIR GOVERNMENTS WILL NOT BREACH CREDITOR SOLIDARITY OVER THIS ISSUE IF GOG REFUSES.

6. CONTRACT REVIEW: ALTHOUGH PLEASED THAT NRC BELATEDLY APPROVED A CONTRACT REVIEW FORMULA, SEVERAL DELEGATES, INCLUDING BRITISH AND GERMAN, FELT CREDITORS MUST STATE REJECTION OF PRACTICE OF REPUDIATION. ECGD DISSATISFIED WITH SUBSTANCE OF PROPOSAL, AS WAS BANK OF ENGLAND, UK TREASURY AND GERMANS. OTHER DELEGATES REBUFFED THEIR EFFORTS INCORPORATE IN CREDITORS'

COMMUNIQUE PROPOSAL THAT GOG BE OBLIGED PAY INTO BLOCKED ACCOUNT INTEREST ON REPUDIATED DEBTS PENDING RESOLUTION THEIR STATUS, EVEN THOUGH THIS MIGHT WELL BECOME PART OF OPENING STATEMENT IN NEGOTIATIONS. MUCH MORE MODERATE LANGUAGE EVENTUALLY ADOPTED. CHAUFOURNIER AGREED TO REMIND GOG THAT CREDITORS EXPECT CONTRACT REVIEW TO BE COMPLETED WITHIN REASONABLE TIME. ECGD OPPOSED SETTING DATE ON GROUNDS DEADLINE MIGHT PROMPT GOG TO REPUDIATE ARBITRARILY ENTIRE 20 PERCENT OF THE DEBT.

7. SEVERAL CREDITORS, INCLUDING US, ITALIANS AND GERMANS, STATED THEIR EXPORT CREDIT ORGANIZATIONS UNABLE PROVIDE DOCUMENTS REQUESTED IN GOG NOTE OF SEPTEMBER 7. IBRD AGREED TO INFORM GOG OF THIS DIFFICULTY AND TO ASK GOG AT SAME TIME TO DEFINE MORE PRECISELY DATA IT DESIRES, MUCH OF WHICH ALREADY HAVE BEEN PROVIDED TO IT BY BANK. CREDITORS AGREED INSTRUCT THEIR EMBASSIES TO NOTIFY GOG THAT THEIR GOVERNMENTS UNABLE TO RESPOND TO NOTE NOW, WITHOUT SUGGESTING THERE EVER WILL BE LIMITED OFFICIAL USE  
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RESPONSE. NO OBJECTION RAISED TO BRITISH PROPOSAL UNILATERALLY TO ASK GOG FOR AN OUTLINE OF REASONS IT REPUDIATED BRITISH CONTRACTS FEBRUARY 5. WHILE WISHING BRITISH LUCK, GERMANS ADVISED CREDITORS THEY HAVE RECEIVED NO RESPONSE TO SIMILAR REQUEST CONCERNING FOUR REPUDIATED GERMAN DEBTS (DESCRIBED SEPTTEL).

8. DE MINIMIS: BELGIAN AND US REPRESENTATIVES DEFENDED \$2 MILLION DE MINIMIS LEVEL IN FACE LEQUESNE'S RHETORICAL QUESTION ASKING IF LOWER LEVEL MIGHT BE POSSIBLE. GERMANS, ONLY OTHER CREDITOR TO COMMENT, SAID THEY WOULD HAVE NO PROBLEM WITH LOWER LEVEL. SWISS ANNOUNCED THEY HAVE \$200,000 IN MEDIUM TERM DEBTS FROM NKRUMAH ERA THEY HOPE SEE EXEMPT FROM RESCHEDULING ON DE MINIMIS GROUNDS. IN VIEW UNCERTAINTY REGARDING EXACT DEBT FIGURES, FURTHER DISCUSSION DE MINIMIS DEFERRED WHILE HMG COLLATES FIGURES UK HAS REQUESTED FROM CREDITORS. NO FURTHER DISCUSSION DE MINIMIS THEREFORE EXPECTED PRIOR DEBT NEGOTIATIONS.

9. POST NKRUMAH DEBTS: US OPENED DISCUSSION WITH

STATEMENT OF STRONG OPPOSITION TO INCLUSION, WHICH RECEIVED SOME SUPPORT FROM ITALIANS AND GERMANS. UK DELEGATE REMARKED DEBT WILL BE FALLING DUE WITHIN NEXT TWO/THREE YEARS, AND LEQUESNE OPINED THIS IS ISSUE ON WHICH THERE COULD BE SCOPE FOR NEGOTIATION. US CONCLUDED DISCUSSION WITH STATEMENT ANY CHANGE IN CREDITORS POSITION WOULD CONSTITUTE A VERY GREAT PROBLEM

FOR US.

10. GRACE PERIOD STARTING DATE: IT WAS AGREED  
CREDITORS WILL ENTER NEGOTIATIONS MAINTAINING INSISTENCE  
THAT RESCHEDULING BE INITIATED JULY 1, 1972. CREDITORS  
MIGHT MODIFY THIS POSITION DURING NEGOTIATIONS. IBRD  
CALCULATES DIFFERENCE IN AMOUNT GOG WOULD BE REQUIRED  
PAY IN ORDER COVER ARREARS TO JUNE 30, 1972, INSTEAD OF  
FEBRUARY 5, 1972, TO BE APPROXIMATELY \$6.5 MILLION,  
AND CREDITORS AGREED ISSUE OBVIOUSLY MORE POLITICAL THAN  
ECONOMIC.

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11. PAYMENT OF MEDIUM TERM ARREARS: CREDITORS  
DISCUSSED PROBLEMS ARISING FROM FACT SEVERAL CREDITORS  
HAVE NOT SIGNED AND/OR RATIFIED BILATERAL AGREEMENTS  
IMPLEMENTING 1968 AND/OR 1970 AGREED MINUTES AND  
THEREFORE HAVE NOT BEEN RECEIVI

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